

THE COMMONWEALTH OF MASSACHUSETTS
OFFICE OF CONSUMER AFFAIRS AND BUSINESS REGULATION
**DEPARTMENT OF
TELECOMMUNICATIONS & ENERGY**

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August 19, 2004

SENT BY E-Mail, and
First Class U.S. Mail

Patricia French, Esq.
Bay State Gas Company
300 Friberg Parkway
Westborough, MA 01581-5039

Re: Bay State Gas Company, D.T.E. 04-57

Dear Ms. French:

Enclosed is the first set of information requests by the Department of Telecommunications and Energy to Bay State Gas Company regarding the above-captioned matter. Please submit copies of the Company's responses to the information requests to the Department by 5:00 p.m., August 20, 2004.

Should you have any questions please contact me at (617) 305-3762. Thank you for your prompt attention to this matter.

Sincerely,

Jody Stiefel
Hearing Officer

Enc.
cc: Service List
Mary Cottrell, Secretary

FIRST SET OF INFORMATION REQUEST OF
THE DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY TO
BAY STATE GAS COMPANY

Pursuant to 220 C.M.R. 1.06(6)(c), the Department of Telecommunications and Energy ("Department") hereby submits to Bay State Gas Company ("Bay State" or "Company") the following information request(s) with respect to the Company's Filing ("Filing") regarding Recovery of Exogenous Costs Associated with Lost Base Revenues ("LBR") resulting from the Company's demand-side management ("DSM") Programs for the twelve-month period ending August 2003.

INSTRUCTIONS

The following instructions apply to this set of Information Requests and all subsequent Information Requests issued by the Department to the Company in this proceeding.

1. Each request should be answered in writing on a separate, three-hole punch page with a recitation of the request, a reference to the request number, the docket number of the case and the name of the person responsible for the answer.
2. Do not wait for all answers to be completed before supplying answers. Provide the answers as they are completed.
3. These requests shall be deemed continuing so as to require further supplemental responses if the Company or its witness receives or generates additional information within the scope of these requests between the time of the original response and the close of the record in this proceeding.
4. The term "provide complete and detailed documentation" means:

Provide all data, assumptions and calculations relied upon. Provide the source of and basis for all data and assumptions employed. Include all studies, reports and planning documents from which data, estimates or assumptions were drawn and support for how the data or assumptions were used in developing the projections or estimates. Provide and explain all supporting work-papers.
5. The term "document" is used in its broadest sense and includes, without limitation, writings, drawings, graphs, charts, photographs, phono-records, microfilm, microfiche, computer printouts, correspondence, handwritten notes, records or reports, bills,

checks, articles from journals or other sources and other data compilations from which information can be obtained and all copies of such documents that bear notations or other markings that differentiate such copies from the original.

6. If any one of these requests is ambiguous, notify the Hearing Officer so that the request may be clarified prior to the preparation of a written response.
7. Please serve a copy of the responses on Mary Cottrell, Secretary of the Department, one copy to the Service List, and three copies of the responses to Jody M. Stiefel, Hearing Officer.

Requests

DTE 1-1 Please refer to Exh. BSG-3, ln. 35. Is Bay State seeking to recover the accumulated interest (carrying cost) of \$146,229, in addition to \$2,169,462?

DTE 1-2 Please refer to Exh. BSG-1, at 11, and Exh. BSG-4.

Exh. BSG-1, at 11 indicates that the Company uses the prime rate to calculate the accumulated interest (carrying cost) on the outstanding balance. Exh. BSG-4 indicates that the Company uses the pre-tax cost of capital to calculate the accumulated interest on the outstanding balance. Explain which rate the Company uses to calculate the carrying costs on the outstanding balance and why?

DTE 1-3 Please provide a detailed analysis of how the Company calculated the accumulated interest figures shown in Sch. BSG-3. Provide all data, worksheets, and assumptions used in the calculation.

DTE 1-4 Please refer to the Exh. BSG-1, Att. A. Calculate the variance in the Company's allowed return on equity ("ROE") for the years 1995 to 2003 and the ROE realized by the Company during these years.

DTE 1-5 Please refer to Exh. BSG-1, at 12, and Exh. BSG-3.

- (a) Explain why the dollar amount for Non-Heating customers is negative \$8,813 (see Exh. BSG-3, ln. 12).
- (b) Explain how Bay State calculated the dollar amounts in Exh. BSG-3, ln. 2-25. Provide all data, worksheets, and assumptions used in the calculation.
- (c) Explain how Bay State determined "the weighted average incremental base rate price, by respective rate class, that the Company would have charged its customers for the lost sales volumes." Provide all data, worksheets, and assumptions used in the calculation.

DTE 1-6. Please refer to Exhs. BSG-1; BSG-3; and BSG-4.

- (a) Explain whether the savings estimates for the energy saving programs are gross estimates or net estimates.
- (b) Define the term "realization rates," used in Exh. BSG-4, and provide these rates for the measures included in the LBR calculation.

- (c) Indicate the average life-span of each DSM measure included in the LBR calculation (see Exh. BSG-3, ln. 2-24). Explain how the Company determined the average life span for each measure.
- (d) For each and every DSM program since their inception, provide the percentage of installed measures that have outlived their average life span.

DTE 1-7. Please refer to Exh. BSG-1; BSG-3; and BSG-4. Are the DSM measures included in the LBR calculation are still cost-effective? Explain, and state how the Company determined the cost-effectiveness of each measure. Provide all data, worksheets, and assumptions used in the calculation.

DTE 1-8. Please refer to Exhs. BSG-1; BSG-3; and BSG-4, and to Bay State Gas Company, D.T.E. 03-36, at 4, n.3 (2004). If the Company did not include the therm savings from the additional measures installed between February 28, 2002 and August 31, 2002, in D.T.E. 03-36, explain whether Bay State included them as a reconciling adjustment in D.T.E. 04-57.

DTE 1-9 Please refer to Exh. BSG-1, Att. A. Recalculate the adjusted and unadjusted ROE for 2003 to exclude the \$2,169,462 which the Company is proposing to recover in this Filing. Use the same format as in Att. A to present your results.

DTE 1-10 Please refer to Exh. BSG-1, Att. A, at 1-2.

- (a) Explain how Bay State calculated the \$1,318,491 shown in ln. 18, Col. 5.
- (b) Explain how Bay State calculated the \$(4,124,191) shown in ln. 18, Col. 6.
- (c) Explain whether the 2003 ROE of 11.84 percent includes the \$2,169,462 which Bay State is seeking to recover in this Filing.

DTE 1-11 Please refer to Exh. BSG-1, at 10-11. Explain whether Bay State has already recovered any portion of the \$2,169,462 that the Company is seeking to recover in this proceeding.

DTE 1-12 Please refer to Exh. BSG-1, at 5. Why did Bay State limit the LBR calculation to "savings from DSM measures installed through February 1999"?

DTE 1-13. Please refer to Exh. BSG-3. Submit copies of LNR Nos. 15 and 16 that the Company filed with the Department. Display all calculations and supporting documents, including the electronic database used in the computation.

- DTE 1-14. Please refer to Exh. BSG-1, at 12-13. Explain what the Company means by “Bay State’s recovery of exogenous costs attributable to the adoption of the RPM to compute LBR was delayed as a result of events outside the control of the Company or the Department.”
- DTE 1-15 Please refer to Exh. BSG-1, at 12-13. When did Bay State first apply the four-year RPM to the calculation of LBR associated with the Company’s DSM programs?
- DTE 1-16. Please refer to Exh. BSG-4.
- (a) Describe the engineering methods, if any, that Bay State uses to determine the energy savings from its DSM programs.
 - (b) Does Bay State use energy auditing vendors to determine the energy savings associated with the Company’s DSM programs? Provide a list of any such vendors and explain how they were selected.
 - (c) Explain the method used by the energy auditing vendors to calculate the energy savings associated with the Company’s DSM programs.
 - (d) Has there been an independent or third-party evaluation of the methods used by the energy auditing vendors to calculate the energy savings associated with the Company’s DSM programs regarding the accuracy and reliability of these methods?
- DTE 1-17. Please refer to Exh. BSG-4. Explain how the Company accounted for energy savings realized by customers other than those savings attributed to Bay State’s DSM program in the calculation of net energy savings.
- DTE 1-18. Please refer to Exh. BSG-4. Provide any available assessment of the Company’s Residential, Multi-Family and C&I DSM programs with regard to the following since the inception of Bay State’s DSM program:
- (a) overall customer satisfaction and customer complaints;
 - (b) bill savings;
 - (c) improved customer operations;
 - (d) lowered maintenance costs.
- DTE 1-19 Please refer to Exh. BSG-4. Discuss whether there have been any problems with the proper installation and maintenance of the Company’s DSM measures to date and the steps that the Company has taken to address these problems. How will any such problems affect the energy savings estimates presented in this Filing?

- DTE 1-20. Please refer to Exh. BSG-4. Discuss whether the Company has conducted ,or intends to conduct, a full-blown or limited (i.e., based on a small representative sample of customers) energy and bill savings analyses for its Residential, Multi-Family and C&I DSM programs to validate the energy savings estimates and the assumptions behind the estimates.
- DTE 1-21 Please refer to Exh. BSG-1, Att. A. Provide copies of the relevant pages of Bay State's Annual Return cited in the calculation of the Company's 2003 ROE.
- DTE 1-22 Please refer to Exh. BSG-1, at 7-9; and Sch. BSG-1.
- (a) What range of earnings does Bay State consider to be "a reasonable level of earnings based on the Department's most recent allowed returns?"
 - (b) State the Company's understanding of the terms "allowed ROE" versus "guaranteed ROE."
 - (c) State the Company's understanding of the phrase "the Company's earnings, independent of recovering a proposed exogenous cost, are reasonable." How has Bay State satisfied this condition for the recovery of exogenous costs?
 - (d) How will the non-recovery of the proposed exogenous costs significantly affected the Company's operations.

DTE 1-23. Please provide the information shown in the Table below:

Part I: 4-Year Rolling Period Method (RPM)			
Customer Class	Lost Base Revenues (LBR)	Associated Carrying Costs	Total LBR
Residential - Heating			
Residential - Non-Heating			
Multi-Family			
Total (Residential & Multi-Family)			
Commercial & Industrial			
Total			
Part II: Method Prior to DTE 97-112 (1999)(All DSM Measures Installed Included)			
Customer Class	Lost Base Revenues (LBR)	Associated Carrying Costs	Total LBR
Residential - Heating			
Residential - Non-Heating			
Multi-Family			
Total (Residential & Multi-Family)			
Commercial & Industrial			
Total			
Part III: Exogenous Costs Calculation			
Customer Class	LBR to be Recovered As Exogenous Cost	Associated Carrying Costs to be Recovered As Exogenous Cost	Total LBR to be Recovered As Exogenous Cost
Residential - Heating			
Residential - Non-Heating			
Multi-Family			
Total (Residential & Multi-Family)			
Commercial & Industrial			
Total			

Indicate the period covered by the data.

DTE 1-24. Please provide the information shown in the Table below:

Part I: 4-Year Rolling Period Method (RPM)			
Customer Class	Gross Therm Savings	Net Therm Savings	Net Therm Savings As a Percentage of Gross Therm Savings (%)
Residential - Heating			
Residential - Non-Heating			
Multi-Family			
Total (Residential & Multi-Family)			
Commercial & Industrial			
Total			
Part II: Method Prior to DTE 97-112 (1999)(All DSM Measures Installed Included)			
Customer Class	Gross Therm Savings	Net Therm Savings	Net Therm Savings As a Percentage of Gross Therm Savings (%)
Residential - Heating			
Residential - Non-Heating			
Multi-Family			
Total (Residential & Multi-Family)			
Commercial & Industrial			
Total			
Part III: Exogenous Costs Calculation (Therm Savings)			
Customer Class	Gross Therm Savings	Net Therm Savings	Net Therm Savings As a Percentage of Gross Therm Savings (%)
Residential - Heating			
Residential - Non-Heating			
Multi-Family			
Total (Residential & Multi-Family)			
Commercial & Industrial			
Total			

Indicate the period covered by the data.